



Patrick W. Henning, Director

August 21, 2008
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Arnold Schwarzenegger
Governor

Mr. Robert Sainz, Assistant General Manager
Community Development Department
Workforce Development Division
1200 West 7th Street, 6th Floor
Los Angeles, CA 90017

Dear Mr. Sainz:

WORKFORCE INVESTMENT ACT
FISCAL AND PROCUREMENT REVIEW
FINAL MONITORING REPORT
PROGRAM YEAR 2007-08

This is to inform you of the results of our review for Program Year (PY) 2007-08 of the City of Los Angeles Community Development Department's (CLACDD) Workforce Investment Act (WIA) grant financial management and procurement systems. This review was conducted by Ms. Stacy Corrales from May 27, 2008 through June 6, 2008. For the fiscal portion of the review, we focused on the following areas: fiscal policies and procedures, accounting system, reporting, program income, expenditures, internal control, allowable costs, cash management, cost allocation, indirect costs, fiscal monitoring of subrecipients, single audit and audit resolution policies and procedures for its subrecipients and written internal management procedures. For the procurement portion of the review, we examined procurement policies and procedures, methods of procurement, procurement competition and selection of service providers, cost and price analyses, and contract terms and agreements and property management.

Our review was conducted under the authority of Section 667.410(b)(1), (2) & (3) of Title 20 of the Code of Federal Regulations (20 CFR). The purpose of this review was to determine the level of compliance by CLACDD with applicable federal and state laws, regulations, policies, and directives related to the WIA grant regarding financial management and procurement for PY 2007-08.

We collected the information for this report through interviews with representatives of CLACDD, a review of applicable policies and procedures, and a review of documentation retained by CLACDD for a sample of expenditures and procurements for PY 2007-08.

We received your response to our draft report on August 14, 2008, and reviewed your comments and documentation before finalizing this report. Because your response adequately addressed finding one cited in the draft report, and no further action is required at this time. However, this issue will remain open until we verify the implementation of your stated corrective action plan during a future onsite review. Until then, this finding is assigned Corrective Action Tracking System (CATS) number 80137. Because your response did not adequately address finding two cited in the draft report, we consider this finding unresolved. We requested that CLACDD provide the Compliance Review Division (CRD) with completed property logs to resolve the issue that led to the finding. Therefore, this finding will remain open and has been assigned Corrective Action Tracking System (CATS) number 80138.

BACKGROUND

The CLACDD was awarded WIA funds to administer a comprehensive workforce investment system by way of streamlining services through the One-Stop delivery system. For PY 2007-08, CLACDD was allocated: \$14,454,582 to serve 2,566 adult participants; \$14,920,473 to serve 2,554 youth participants; and \$6,270,722 to serve 985 dislocated worker participants.

For the quarter ending March 31, 2008, CLACDD reported the following expenditures and enrollments for its WIA programs: \$10,234,826 to serve 2,173 adult participants; \$14,070,406 to serve 2,054 youth participants; and \$4,324,217 to serve 1,087 dislocated worker participants.

FISCAL REVIEW RESULTS

We concluded that, overall, CLACDD is meeting applicable WIA requirements concerning financial management.

PROCUREMENT REVIEW RESULTS

While we concluded that, overall, CLACDD is meeting applicable WIA requirements concerning procurement, we noted instances of noncompliance in the following areas: contract clauses and property management. The findings that we identified in these areas, our recommendations, and CLACDD's proposed resolution of the findings are specified below.

FINDING 1

Requirement: 20 CFR 667.200(d) states, in part, that all WIA Title I grant recipients and subrecipients must comply with the government-wide requirements for debarment and suspension.

29 CFR 95.48(e) states, in part, that all contracts awarded shall contain the provisions of Appendix A to this part for debarment and suspension requirements, including Executive Order (EO) 12689.

Observation: We reviewed contracts for FutureWorks, Los Angeles Urban League (LAUL), and El Proyecto del Barrio (EPDB), and found that CLACDD did not include EO 12689 language in their General Provisions and Standards of Conduct contract addendum under the debarment and suspension requirements for these contracts.

Recommendation: We recommended that CLACDD submit a corrective action plan to the Compliance Review Division (CRD) stating how it will include the above required provisions in future contracts governed by 29 CFR 95.

CLACDD Response: The CLACDD provided a copy of it revised contract boilerplate that includes the Federal requirement.

State Conclusion: The CLACDD's stated corrective action should be sufficient to resolve this issue. However, we cannot close this issue until we verify, during a future onsite visit, CLACDD's successful implementation of its corrective action. Until then, this issue remains open and has been assigned CATS number 80137.

FINDING 2

Requirement: 29 CFR 97.20(b)(3) states, in part, that grantees and subgrantees must maintain effective control and accountability for all property and other assets.

29 CFR 97.32(d)(1) states, in part, that property records must be maintained that include a serial number or other identification number and the title holder.

29 CFR 97.32(d)(2) states, in part, that a physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.

WIAD03-9 states, in part, that a disposition record must be kept for any transaction in accordance with WIA record retention requirements.

Observation:

For the fourth consecutive year, we found that CLACDD's subrecipient's property logs did not include the above required information for all of the items listed. Also, a physical inventory of all WIA-funded property has not been completed. Further, property logs did not contain all WIA-funded equipment as indicated below. Similar issues were noted in CRD's Final Monitoring Reports for PYs 2004-05, 2005-06, and 2006-07.

Specifically, for PY 2004-05, the subrecipient property logs did not contain all equipment purchased or required data elements. While the property logs for Arbor Employment & Training (formerly ACS State and Local Solutions), Los Angeles Urban League, and Chicana Action Service now include all property, required data elements noted above are still missing. Further, a former subrecipient, CHARO, had purchased three pieces of equipment costing a total of \$72,964. Although CLACDD no longer contracts with CHARO for its WIA programs, the equipment remains in the possession of CHARO. It may be acceptable for the subrecipient to continue to use the equipment for the program for which it was purchased or another Federally-funded program, but whether this is the case with CHARO is unknown, as there has been no inventory of the property for several years.

For PY 2005-06, we found two property-related issues; documentation of disposition of property, and inventory control. Specifically, CLACDD did not document the disposition of a copier from subrecipient Pacific Asian Consortium in Employment (PACE) and all property was not listed and properly tagged for identification as required. Subsequent to our review, CLACDD did provide disposition information for the copier. We note that the property records provided during our current review did not contain property located at PACE.

For PY 2006-07, we found that the biannual inventory was still not complete and property logs were missing all required data elements noted above. Subsequent to our PY 2006-07 Final Report, CLACDD provided two property logs that included property from 14 of its current and former subrecipients (including PACE) and two Los Angeles City buildings. Both logs lacked all required information.

For PY 2007-08, we found that CLACDD is attempting to accomplish a complete inventory during its subrecipient

monitoring, conducted by its Financial Management Division auditors. While reviewing the monitoring working papers, we noted instances of inventory lists collected from Para Los Ninos (no WIA-funded property), LAUL (extensive list, but again, missing tag or serial numbers and some title holder information), and EPDB, (missing tag or serial numbers). However, for the fourth consecutive year, we note that inventory is incomplete, including the CHARO equipment, items are missing from the list (PACE), and required information is missing from the property log.

Recommendation: We recommended that CLACDD complete the inventory of all WIA-funded equipment located with current and former subrecipients, complete its subrecipient property logs, including all required data elements for each item, and provide CRD with copies of the completed logs.

CLACDD Response: The CLACDD stated that its program monitors have finished the physical verification of all the equipment, and the inventory tags and serial numbers are reflected in the updated equipment inventory log submitted with its response. The CHARO signage has been dismantled and the server and telephone system are being used by the agency. This equipment no longer has any residual fair market value and is considered disposed.

State Conclusion: Based on CLACDD's response, we cannot resolve this issue at this time. While the property log submitted contained most required data elements, it lacked inventory TAG numbers and serial numbers for all items, the disposition sales price of disposed equipment was not documented, and the PACE furniture was not on the list. Also, documentation of the method for determining the fair market value for the CHARO equipment was not provided. Further, no accounting was provided for all current and former subrecipient WIA-funded property. Specifically, there was no property documentation submitted for the following current or former subrecipients: Chinatown Service Center, Community Center's, Inc., Housing Authority of Los Angeles, Managed Career Solutions (which took over WorkSource operations from TTI, America), Catholic Charities, Marriott Foundation, Los Angeles Unified School District, and the Regents of the University of California. We again recommend that CLACDD complete the inventory of all WIA-funded equipment located with current and former subrecipients, complete its subrecipient property logs, including all required data

August 21, 2008

elements for each item, and provide CRD with copies of the completed logs. Until then, this issue remains open and has been assigned CATS number 80138.

We provide you up to 20 working days after receipt of this report to submit to the Compliance Review Division your response to this report. Because we faxed a copy of this report to your office on the date indicated above, we request your response no later than September 19, 2008. Please submit your response to the following address:

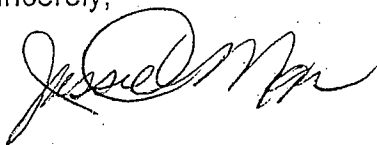
Compliance Monitoring Section
Compliance Review Division
722 Capitol Mall, MIC 22M
P.O. Box 826880
Sacramento, CA 94280-0001

In addition to mailing your response, you may also FAX it to the Compliance Monitoring Section at (916) 654-6096.

Because the methodology for our monitoring review included sample testing, this report is not a comprehensive assessment of all of the areas included in our review. It is CLACDD's responsibility to ensure that its systems, programs, and related activities comply with the WIA grant program, Federal and State regulations, and applicable State directives. Therefore, any deficiencies identified in subsequent reviews, such as an audit, would remain CLACDD's responsibility.

Please extend our appreciation to your staff for their cooperation and assistance during our review. If you have any questions regarding this report or the review that was conducted, please contact Mr. Jim Tremblay at (916) 654-7825 or Ms. Stacy Corrales at (916) 653-6123.

Sincerely,



JESSIE MAR, Chief
Compliance Monitoring Section
Compliance Review Division

cc: Shelly Green, MIC 45
Jose Luis Marquez, MIC 50
Georganne Pintar, MIC 50
Larry Scaramella, MIC 50